

STATE OF HAWAII - DEPARTMENT OF TAXATION  
**SUBLEASE DEDUCTION WORKSHEET**

(Do NOT file this worksheet with the Department of Taxation. Keep it for your records.)

Lessee's Name \_\_\_\_\_ Lessee's G.E. ID. No. \_\_\_\_\_

Lessor's Name \_\_\_\_\_ Lessor's G.E. ID. No. \_\_\_\_\_

Description of real property or space leased \_\_\_\_\_

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COMPUTATION OF SUBLEASE DEDUCTION:

1. Amount of rent you paid to the lessor for the real property or space leased.  
(If you sublease less than 100% of the real property or space that you leased  
from the lessor, see Instructions.) ..... \_\_\_\_\_
2. Allowable rate used in computing the deduction (see Instructions) ..... \_\_\_\_\_
3. Multiply line 1 by line 2. This is your maximum allowable deduction ..... \_\_\_\_\_
4. Amount of rent you received from the sublease of the same real property or space ..... \_\_\_\_\_
5. Compare the amounts on lines 3 and 4 and enter the smaller of the two  
amounts here. This is the amount of your sublease deduction ..... \_\_\_\_\_

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**GENERAL INSTRUCTIONS**

Act 353, Session Laws of Hawaii 1997, allows a sublessor to reduce the amount of gross proceeds or gross income received under a written lease of real property by a specified percentage of the amount the sublessor pays to its lessor for the same real property in determining the gross proceeds or gross income subject to the general excise tax.

The requirements for the sublease deduction are as follows:

(1) The lessor must submit Form G-71, General Excise Sublease Deduction Certificate, to the lessee certifying that the lessor is licensed and taxable under the general excise tax law;

(2) The lessee must be licensed and taxable under the general excise tax law;

(3) The lessee must report the amount paid to the lessor, the amount of the sublease deduction, and the name and general excise tax number of the lessor on the lessee's general excise tax return in lieu of filing a copy of Form G-71 with the general excise tax return;

(4) The lessee's sublease deduction is limited to leases and subleases in writing and related to the same real property or space; and

(5) The lessee must compute the allocations with no allowances for changes during the specified term of the sublease, provided that this requirement shall not apply to a lease with terms that vary in the amount of periodic rent due, including a percentage lease with fixed minimum rent, a

percentage lease with no minimum rent, a combination percentage lease with fixed minimum rent or percentage leases with no minimum rent, whichever amount is higher, or a graduated or step-up lease.

For purposes of the sublease deduction:

**Lessee** means one who holds real property under a lease, and includes a sublessee. A lessee or sublessee includes a sublessor subject to both the tax and applicable deduction under section 237-16.5, HRS, provided real property or space is conveyed by a sublease.

**Lessor** means one who conveys real property by a lease, and includes a sublessor. A lessor does not include a person who is not subject to the taxes imposed by chapter 237, HRS, or a person whose gross proceeds or gross income from leasing the real property or space is not taxable under chapter 237, HRS.

**Sublessee** means one who holds real property under a sublease.

**Sublessor** means one who conveys real property by sublease under a lease. A sublessor includes a lessee subject to both the tax and applicable deduction as determined under section 237-16.5, HRS, provided a sublease is conveyed.

For more information, see section 18-237-16.5, Hawaii Administrative Rules.

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## SPECIFIC INSTRUCTIONS

**Note:** Use this worksheet to calculate the amount of the sublease deduction to claim on your monthly, quarterly, semi-annual, or annual general excise tax return. Use a separate worksheet for each real property or space for which you are claiming the deduction.

**Line 1** - Enter the amount of rent you paid to the lessor for the real property or space leased.

If you sublease less than 100% of the real property or space that you leased from the lessor, you must allocate the total amount of rent you paid for that real property or space based upon the percentage of the real property or space subleased, or the fair rental value of the real property or space subleased. The allocation may be based upon the percentage of the real property or space subleased when it is reasonable under the circumstances. If an allocation based upon the percentage of the real property or space subleased is not reasonable under the circumstances, you must allocate the total amount of rent you paid for the real property or space subleased based upon the fair rental value.

**Example A:** Lessor A leases real property X to lessee B for \$1,000 a year and lessee B subleases the same real property X to sublessee C for \$2,500 a year. Since lessee B subleases 100% of real property X to sublessee C, lessee B would enter \$1,000 on line 1.

**Example B:** Lessor A leases real property X to lessee B for \$1,000 a year and lessee B subleases 50% of real property X to sublessee C for \$2,500 a year. Assuming there are no significant differences between the portion of X subleased by B and the portion not being subleased which would significantly affect the value of the respective portions of X, an allocation based upon the percentage of area of X being subleased would be reasonable. In this case, lessee B would enter \$500 (\$1,000 rent paid to lessor A x 50%) on line 1.

**Example C:** Lessor A leases real property X to lessee B for \$1,000 a year. Real property X constitutes ground floor retail real property or space (which has a rental value of \$800) and upper floor office real property or space (which has a rental value of \$200) equal in size to the ground floor retail real property or space under lease. Lessee B subleases only the upper floor real property or space to sublessee C for \$2,500 a year. An allocation based upon the percentage of area of X being subleased would not be a reasonable allocation method under these circumstances. An allocation based upon the fair rental value of X would be reasonable. In this case, lessee B would enter \$200 (the

portion of the \$1,000 rent paid to lessor A allocable to the upper floor real property or space) on line 1.

**Line 2** - Enter the allowable rate used in computing the deduction. The allowable rate to be used in computing the sublease deduction is as follows:

For gross proceeds or gross income paid in the months of October, November, and December, 1998 .....	0.125
In calendar year 1999 .....	0.25
In calendar year 2000 .....	0.375
In calendar year 2001 .....	0.50
In calendar year 2002 .....	0.625
In calendar year 2003 .....	0.75
In calendar year 2004, and thereafter .....	0.875

**Line 3** - Multiply line 1 by line 2.

**Line 4** - Enter the amount of rent you received from the sublease of the same real property or space.

**Line 5** - Compare the amounts on lines 3 and 4 and enter the smaller of the two amounts. This is the amount of your sublease deduction to enter on your monthly, quarterly, semi-annual, or annual general excise tax return.

## WHERE TO GET INFORMATION

### Oahu District Office

830 Punchbowl Street  
P. O. Box 259  
Honolulu, HI 96809-0259  
Tel. No.: (808) 587-4242  
Toll-Free: 1-800-222-3229  
TDD No.: (808) 587-1418  
TDD Toll-Free: 1-800-887-8974

### Maui District Office

54 South High Street, #208  
P. O. Box 1169  
Wailuku, HI 96793-6169  
Tel. No.: (808) 984-8500

### Hawaii District Office

75 Aupuni Street, #101  
P. O. Box 833  
Hilo, HI 96721-0833  
Tel. No.: (808) 974-6321

### Kauai District Office

3060 Eiwa St., #105  
Lihue, HI 96766-1889  
Tel. No.: (808) 274-3456

### Tax information and forms:

<http://www.state.hi.us/tax/tax.html>

### Forms and CD-ROM by mail:

(808) 587-7572  
Toll-Free: 1-800-222-7572

### Forms by fax:

On Oahu (808) 587-7572  
Outside Oahu (808) 678-0522 from your fax machine